

Naval Postgraduate School
National Security Affairs
Civil-Military Relations and Defense Budgeting

Dr. Robert Looney
Spring Term 1999
NS3225

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COURSE OUTLINE

Texts:

A. Premchand, Government Budgeting and Expenditure Controls: Theory and Practice (Washington: IMF, 1983)

James Eggert, Invitation to Economics, second edition (Mountain View, CA: Mayfield Publishers, 1991)

Supplemental Texts:

Edmund S. Phelps, Political Economy (New York: Norton: 1985)

Robert Looney, Third World Military Expenditures and Arms Production (London: Macmillan, 1988).

Robert Looney, The Economics of Third World Defense Expenditures (Greenwich, CT: JAI Press, 1994).

Robert Looney, The Political Economy of Latin American Defense Expenditures (Lexington, Mass: Lexington Books, 1986).

C.L. Jain and I.M. Tomic, Essentials of Monetary and Fiscal Economics (New York: Graceway Publishing).

Sander and Hartley, The Economics of Defense (Cambridge: Cambridge University Press, 1995)

Robert Lee and Ronald Johnson, Public Budgeting Systems, sixth edition (Gaithersburg, Maryland: Aspen Publishers, 1998)

Naimi Caiden and Aaron Wildavsky, Planning and Budgeting in Poor Countries (New York: John Wiley (1974).

Nicole Ball, Security and Economy in the Third World (Princeton: Princeton University Press, 1988).

Peter Dean and Cedric Pugh, Government Budgeting in Developing Countries (London: Routledge, 1989)

David K. Whynes, The Economics of Third World Military Expenditures (Austin: University of Texas Press, 1979).

Course Objectives

This course has three main objectives:

The first is to provide the student with a background in basic economic principles. At the micro economic level this involves a discussion of scarcity, the manner in which markets allocate resources and the role of the state in achieving economic efficiency. At the macroeconomic level the main areas of interest are the manner in which economies achieve stability with growth, the tools such as fiscal policies used by governments to manage their economies, and the problems associated with increased globalization. The approach used will be largely one of political economy, rather than theoretical economics. It will cover approximately the first four weeks of class.

The second purpose of the class is, within the context of civil-military relations, is to examine the various methods of budgeting and expenditure controls, and the rationales for recent budgetary reforms in various parts of the world. The successes or failures and the current state of these reforms is also examined. This section of the course is divided into two main parts, the first part considers the theoretical and practical aspects of budgeting, using a predominately economic approach. The second part deals with structures, systems and financial management and is more administrative. It will cover approximately three weeks of the class.

The third objective is to assess the political economy of defense expenditures. Here, a number of case studies with emphasis on the civil-military dynamics will be examined. Emphasis will be on sources of data on defense budgets, the political and economic factors determining defense allocations, priorities in the budget, tradeoffs between defense and other budgetary categories. This section of the course links the macroeconomics framework with the budgetary constraints and political priority setting process. Finally, a number of empirical studies linking defense expenditures to fiscal policy and the budgetary process will be examined. This part of the course will cover the final four weeks of the term.

Assignments

The assignments below are mainly from the texts. Please check website under "readings for next class" for additional papers for discussion.

Part I Economic Framework

Introduction (March 30)

Basic Microeconomic Concepts (April 1)

Eggert, chapters 1, 2, 3, 4, 10, 11.
Phelps, chapter 1, and 2

Topics in Microeconomics--Markets and Competition (April 6)

Eggert, chapters 12, 13, 14, 15, 16, 17
Phelps, chapter 3

Introduction to Macroeconomics (April 8)

Eggert, chapters 5, 6, 7

Issues in Macroeconomics—Inflation/Monetary Policy (April 13)

Eggert, chapters 8 and 9

Jain and Tomic, chapter 12, 13.

Fiscal Policy (April 15)

Jain and Tomic, chapters 23, 24, 25

Political Context of Fiscal Policy (April 15)

Jain and Tomic, chapters 26, 27, 28, 29.

International Context-Trade (April 20)

Eggert, chapter 18

International Finance

Eggert, chapters 19, 20 (April 22)

Part II Government Budgeting and Expenditure Controls

Introduction to Budgeting (April 27)

Premchand, chapters 1, 2

Approaches to Budgeting (April 29)

Premchand, chapters 3, 4, 5

Planning and forecasting (May 4)

Premchand, chapters 6, 7

Inflation and Adjustment (May 6)

Premchand, chapters 8, 9

Structural Aspects and Innovations (May 11)

Premchand, chapters 10, 11

Management Issues

Premchand, chapters 12, 13 (May 13)

Midterm Examination (May 18)

Part III Political Economy of Defense Expenditures

Data on Defense Expenditures and Arms Transfers (May 20)

International Monetary Fund: Military Expenditure and Arms Trade: Alternative Data Sources.

Trends in Defense Expenditures (May 25)

International Monetary Fund: Military Expenditure - International Comparison of Trends

Economic and Political Influences on Defense Budgets (May 27)

International Monetary Fund: Military Expenditure - Econometric Testing of Economic and Political Influences

International Monetary Fund: Military Expenditures 1972-1990: The Reasons Behind the Post-1985 Fall in World Military Spending

Case Studies--Latin America (June 1)

Robert Looney and Peter Frederiksen Factors Affecting Latin American Defense Expenditures (1999)

P. Franko, Budget Driven Downsizing in Latin America (Journal of Interamerican Studies and World Affairs, Spring 1994)

Case Studies--United States (June 3)

Alex Mintz, The Politics of Resource Allocation in the U.S. Department of Defense: International Crisis and Domestic Constraints (1988)

Case Studies—Middle East/Africa

Selami Sezgin, Country Study X: Defense Spending in Turkey (Defense and Peace Economics, 1997)

Robert Looney and Peter Frederiksen, Defense Expenditures and Budgetary Patterns in Selected Middle Eastern and Mediterranean Countries; An Assessment (Public Budgeting and Financial Management, 1966)

Case Studies Europe/Former USSR (June 10)

Miodrag Ivanovic, Country Survey VIII: Defense Spending in Federal Republic of Yugoslavia (Defense and Peace Economics 1996)

Jaques Fontanel, The Comparison of Military Budgets of the Eastern and Central European Countries (Defense and Peace Economics, 1966)

Final Examination (June 16)

Grading

There are several options for a course grade:

Midterm and Country Paper--50% each

Midterm and Final Examination--50% each